

GEORGIA REVENUE QUARTERLY



Roy E. Barnes, Governor

T. Jerry Jackson, Commissioner

New Federal Law Impacts 2001 Georgia Tax Returns

On March 9, President Bush signed into law the Job Creation and Worker Assistance Act of 2002.

The bill contains provisions that impact Georgia tax returns for both businesses and individuals.

The Georgia legislature did not adopt the provisions of the Job Creation and Worker Assistance Act of 2002, during its

Bill Brings State Into Conformity With 2001 Federal Tax Act

Governor Roy Barnes signed House Bill 1026 on April 18, which updates Georgia's income tax code bringing it into conformity with the Internal Revenue Code as of Jan. 1, 2002.

This means Georgia has adopted the Economic Growth and Tax Relief Reconciliation Act of 2001.

Some key provisions of the Act on the federal level are:

- A new 10 percent federal rate.
- Increases Educational IRA contributions to \$2,000 per year.
- Increases IRA deductions to \$3,000 with a catch-up provision for those 50 years of age and older.
- Estate tax exemption increases and rate decreases until repeal in 2010.

Individuals desiring more information about the Economic Growth and Tax Relief Reconciliation Act of 2001 and how it might impact them should contact their tax advisor.

2002 session.

House Bill 1026, which has been signed by Governor Barnes (see related article) does not have any relationship to this Act.

Adjustments must be made for any items affecting 2001 returns.

The two major differences for tax year 2001 are:

- It allows an increase for the carryback period for net operating losses to five years for tax years ending in 2001 and 2002.
- The 2002 Act allows businesses a 30 percent bonus depreciation in the first year for certain types of property.

Georgia will continue to use the two-year carryback as provided in the old federal law.

Additionally, there are specific steps the taxpayer must follow to adjust for the 30 percent bonus depreciation.

Taxpayers, who filed their 2001 Georgia return and claimed the 30 percent bonus depreciation without the required adjustments, should file an amended return.

The Georgia forms affected by the Job Creation and Worker Assistance Act of 2002 are:

- Form 500 for individuals
- Form 501 for trusts
- Form 600 for corporations
- Form 600S for S-Corporations
- Form 700 for partnerships

All flow through entities that own property, do business in Georgia or have Georgia resident owners/beneficiaries should notify them of the required adjustments.

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Computer Assisted Audits Save Taxpayers Time And Money

Businesses desiring to reduce the cost, time and personnel hours involved in a traditional sales and use tax audit should consider a Computer Assisted Audit.

A Computer Assisted Audit reduces the disruption of the taxpayer's day-to-day activities and reduces the amount of time required to prepare for the audit.

In a Computer Assisted Audit, data is sent to the DOR and analyzed prior to the auditor's arrival at the taxpayer's location. The auditor arrives prepared and spends less time on site.

By selecting fewer but more representative records for examination, Computer Assisted Audits reduce the risks often associated with conventional block samples. Additionally, taxpayer data can be transferred back and forth between the Department and the taxpayer for easier analysis with less data entry.

Computer assisted audits can be used as the foundation for a Managed Compliance Agreement with the Department's Compliance Division.

An MCA is a contract between the taxpayer and the Department and applies only to expense purchases. The agreement is customized to fit the needs of each taxpayer.

An MCA allows taxpayers to compute and remit use tax on aggregate purchases made during the filing period instead of computing and remitting use tax on every transaction. The taxpayer calculates and

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Commissioner's Letter

During March, Georgians took part in their first Shop Georgia! sales tax holiday and from most indications it was a huge success for consumers and retailers alike. Consumers were able to save money by shopping tax-free while retailers benefited from increased sales, which are reported to be far greater than during the same time period last year.

The Department of Revenue is currently evaluating the Sales Tax Holiday to determine how we can make the August 2-3 Shop Georgia! more successful.



Commissioner Jackson

Information for the next sales tax holiday will be posted on our website (www.gatax.org) beginning in June. Please visit the site often to keep abreast of any changes to the tax-exempt list or to the regulations governing Shop Georgia!

At this writing, we are in the midst of the 2001 income tax processing season. Electronic filing continues to be a success story for Georgians and the DOR. As of April 16th, we had received 1.5 million electronic returns, surpassing last year's total of 1.2 million.

Another success for this processing season is the Department's implementation of 2-D bar coding, which reduces the time required to process paper returns.

The 2-D bar code contains all the information on the return, and it allows the return to be scanned directly into our tax processing system. This reduces the processing time and ensures the record is accurately filed

into our system.

This year six companies (Intuit, H&R Block, STF, Creative Solutions, Drake and CCH) produced tax preparation software that printed the 2-D bar code onto the form. As of April 15th, we had received over 300,000 forms printed with 2-D bar codes.

Compared to a paper return, we estimate that 2-D bar coding saves at least 10 days in processing time and costs approximately 40 percent less to be processed. We are extremely pleased with the first year's statistics and appreciate the support and assistance of the participating companies and the tax professionals who utilized the software.

Included in this edition of the Revenue Quarterly is a schedule of our sales tax seminars for the remainder of the year. I encourage anyone involved in reporting or collecting sales tax to attend one of our free seminars. If you attended a seminar years ago, I urge you to consider attending again. These seminars are an excellent way to keep current on law and policy changes affecting your business.

At the Department of Revenue, we are always looking for new ways to get information to our taxpayers. One method we are currently expanding is the Important Bulletin section on the front page of our *Sales and Use Tax Report* that is mailed monthly to retailers. We intend to use this medium more extensively in the future. It will be used to bring attention to important matters such as last minute changes to the sales and use tax rate chart, Shop Georgia!, seminar schedules, and much more.

On a final note, special thanks to the Georgia Retail Association, the Georgia Food Industry Association, all retailers, and DOR staff associated with making Shop Georgia! such a success. We look forward to working with you again in August.

Very truly yours,
T. Jerry Jackson

Retraining Tax Credit Explained

Georgia law allows a business to take a tax credit of \$500 or half of the cost of retraining per full-time employee, whichever is less.

The tax credit is contained in O.C.G.A. 48-7-40.5.

Taxpayers can use the following methods to combine classes, which are similar, for the purpose of calculating the tax credit.

- Classes with a direct cost of less than \$1,000 may be combined, and
- Classes with a direct cost of \$1,000 or more may be combined.

The retaining tax credit does not allow averaging and is claimed on form IT-RC.

For example: Corporation A has 12 employees whose training qualifies for the tax credit. Ten employees attend a course on spreadsheets, which costs \$250 per employee. The other two employees attend a network systems course, which cost \$5,000 per employee.

In determining the retraining tax credit, the 10 classes on spreadsheets must be claimed on one form IT-RC and the network systems classes should be claimed on another form IT-RC. The claimed tax credit would be \$3,500 ($10 \times \$250 + 2 \times \500).

Anyone having questions about the retraining tax credit should contact the DOR at 404-417-2441.

New Federal Law

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In order for Georgia to conform to federal legislation, action is required by the legislature and governor.

This is the case in approximately half of the 50 states. The other states have passed previous legislation with automatic conformity provisions.

Information about how to properly file the affected forms is available on DOR's website at www.gatax.org. Use the link "Federal Tax Changes and How They Affect Georgia."

Additional information can also be obtained by contacting the DOR at 404-417-2300.

Refund Status Available 24 Hours A Day

Taxpayers wanting to check the status of their refund can call the Department's automated information line 24 hours a day.

Within the metro Atlanta calling area or outside the state, the number is 404-656-6286. Outside the metro area but within Georgia, the number is 800-338-2389.

Callers should be ready to enter the social security number listed on the return and the whole dollar amount of the refund.

DOR officials ask that you allow eight to 10 weeks from the date you filed your paper return before making an inquiry. Electronic filers should wait two weeks before checking on their refund.

Computer Assisted Continued from page 1

remits use tax by using one or more effective tax rates.

The percentage of purchases used as a basis for reporting sales and use tax is established by performing an historical analysis of tax due on expense purchases.

Taxpayers who are required to file any return or to pay or remit Georgia sales or use taxes are eligible for the program. The final acceptance authority lies with the Revenue Commissioner.

For more information about the Department's Computer Assisted Audit and Managed Compliance Agreement programs contact either Donald Bloom or Michael McCullough at 404-417-6400.

The Revenue Quarterly is a publication of the Georgia Department of Revenue. Comments, suggestions and mailing list additions or corrections should be addressed to the Georgia Department of Revenue, Public Information Office, 1800 Century Center Boulevard, Suite 15114, Atlanta, GA 30345-3205. The telephone number is 404-417-2106. Address e-mail to cwwilley@gw.rev.state.ga.us.

Sales Tax Seminar Schedule

The Sales and Use Tax Division conducts free tax-payer seminars throughout Georgia. The seminars provide the latest information about Georgia's sales and use tax law, local taxes, audit and form preparation and other areas of interest. All sessions are conducted between 8:30 a.m. and 5 p.m. Due to limited seating, individuals should register 30 days in advance of the seminar. For additional information contact the Sales and Use Tax Division at 404-417-6601.

DATE	LOCATION	TO REGISTER
May 14	Rome: The Floyd College, SBDC-Heritage Hall, 415 E. 3rd Avenue	706-295-6326
May 16	Albany: Darton College, 2400 Gillionville Rd, Room J121	229-420-1144
May 21	Dublin: Laurens County Library, 801 Bellevue Avenue	912-681-5551
June 6, 12	Decatur: Maloof Auditorium, 1st Floor Annex Bldg, 1300 Commerce Drive	404-373-6930
June 11	Columbus: Community Room Public Safety Bldg., 510 10th Street	706-469-7433
July 17	Carrollton: Carroll County Chamber of Commerce, 200 Northside Drive	770-836-6610
July 31	Gainesville: Auditorium, Lanier Technical College, 2990 Landrum Education Drive, Oakwood, GA	770-531-5681
Aug. 6, 7, 8	Hapeville: Tradeport Facility, 4245 International Parkway	404-417-6601
Aug. 22	Lawrenceville: Gwinnett Justice & Administration Center Auditorium, 75 Langley Drive	770-806-2124
Aug. 27, 29	Kennesaw: Kennesaw State College, 3333 Busbee Drive, KSU Center	770-423-6450
Sept. 3, 4	Atlanta: Georgia Power Bldg., 241 Ralph McGill Blvd.	404-651-3550
Sept. 12	Savannah: Coastal Georgia Center, 305 Fahm Street	912-651-3200
Sept. 18	Newnan: Coweta-Newnan Chamber of Commerce, Farmer Street	770-836-6610
Oct. 9	Columbus: Community Room Public Safety Bldg., 510 10th Street	706-649-7433
Oct. 24	Macon: Macon State College, 100 College Station Drive	478-751-6592
Nov. 7	Athens: UGA/Chicopee Complex Auditorium, 1180 E. Broad Street	706-542-2134
Nov. 12	Augusta: Augusta Tech, Jack Patrick Information Technology Center, Bldg. 1000 Auditorim	706-737-1790

Georgia Department of Revenue
Public Information Office
1800 Century Center Boulevard
Suite 15114
Atlanta, GA 30345-3205
Address Services Requested

Collections Down 5.7% For First Nine Months Of FY 2002

State Revenue Commissioner T. Jerry Jackson announced on April 11 that net revenue collections for the first nine months of fiscal year 2002 totaled \$9,451,673,727.77 compared to \$10,026,198,109.60 for the same period in fiscal year 2001, a decrease of \$574,524,381.83. The percentage decrease for the fiscal year is 5.7 percent.

Collections for the month of March totaled \$763,857,148.64 compared to \$826,674,432.94 for March 2001, a decrease of \$62,817,284.30. The percentage decrease for the month is 7.6 percent.

FY 2002 Through March Compared to FY 2001 Through March

*Sales and Use Taxes	\$3,644,687,222.58	down	(\$192,066,324.78)	-5.0%
Motor Fuel Tax	\$341,200,135.00	up	\$6,206,561.02	1.9%
Individual Tax	\$4,767,159,121.99	down	(\$241,692,624.20)	-4.8%
Corporate Income Tax	\$324,433,846.04	down	(\$135,516,827.28)	-29.5%
Cigar and Cigarette Tax	\$63,887,460.04	up	\$5,947,825.03	10.3%
Liquor Tax / Fees	\$28,965,793.04	up	\$976,766.52	3.5%
Malt Beverage Tax / Fees	\$60,246,184.53	up	\$2,730,844.30	4.7%
Estate Tax	\$91,484,591.76	down	(\$7,513,402.15)	-7.6%
Property Tax	\$51,865,357.42	up	\$6,256,433.06	13.7%
Wine Tax / Fees	\$15,978,663.57	up	\$944,370.94	6.3%
Miscellaneous	\$61,765,351.80	down	(\$20,798,004.29)	-25.2%
Total	\$9,451,673,727.77		(\$574,524,381.83)	-5.7%

*Includes 2nd Motor Fuel Tax (9 months) - \$145,257,698.38

Footnote: Collections for Motor Vehicles were excluded from this report. The Department of Motor Vehicle Safety (DVMS) began collecting and reporting this financial information on Nov. 1, 2001.

Visit DOR's Website At www.gatax.org